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# INDUSTRIAL INSURANCE

## I

### THE EXTENT AND NATURE OF THE DEMAND FOR A SOCIAL POLICY OF WORKINGMEN'S INSURANCE

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1. The economic condition of wage-workers calls for insurance as a necessary part of their protection against dependence and suffering. While the statistical material for determining the number of persons requiring social insurance is not entirely satisfactory, it does enable us to make a fairly accurate estimate for our purpose. There is a common assumption in this country that the wages of workingmen are so high that social insurance is not desirable; that, with the ordinary private associations and insurance companies at hand, there is no demand for collective effort, with some measure of governmental intervention, stimulus, and regulation. It is not necessary to exaggerate poverty to prove the need of a social policy of insurance. This is demonstrated by the fact that it is precisely the men of the successful classes who realize the wisdom of distributing risks, and of providing a fund in case of incapacity for labor or of death by the method of insurance rather than by depending entirely on savings and investments. If the ordinary professional man should wait until his investments would provide for his needs in long illness or for his family in case of his death, during the first part of his career the family would be practically within a few months of dependence on charity. On the other hand, no system of saving or of insurance can do much for the non-industrial classes, as idiots, insane, paupers of all categories, vagabonds, and criminals. Workingmen's insurance can help only workingmen—those who spend most of their lives earning a living and who are paid wages or small salaries. For defectives and paupers industrial insurance is inapplicable, and these must be supported by public or private relief; while delinquents are placed under

public control at compulsory labor in coercive institutions. People of wealth can easily protect themselves by investments or by insurance in private companies. If they pay too much for this benefit, their business training enables them to discover legal means of redress and correction. But the majority of wage-earners are not in like situation and require some form of collective action.

In this connection we must determine as accurately as possible who should receive the advantages of a social policy of insurance. Various attempts have been made to estimate the average income necessary to prevent dependence on public relief and private charity. The average income will vary in purchasing power in different localities, and whole sections of the population do not enjoy the average rate of earnings. In certain occupations the workers live in cities where rent and food are unduly expensive, and yet their earnings are made low by competition among themselves, as in the needle industries in New York and Chicago. To speak of the average earnings in this connection is often misleading mockery. We may, however, give estimates of careful observers in relation to the margin of dependence on relief.

Mr. P. Roberts says: "It was shown by the Bureau of Statistics of Massachusetts that it takes a family of five persons \$754 a year to live on."<sup>1</sup> This does not give the minimum standard of bare existence, but a reasonable standard of comfort, and that only for certain areas in the state of Massachusetts. It would not apply to the negroes of South Carolina, where one of their families might regard an income of \$400 a year as luxury.

The minimum standard means the income below which an average family cannot fall without reducing industrial efficiency and becoming to some extent dependent. Dr. E. T. Devine, whose experience as secretary of the Charity Organization Society of New York gives his judgment special weight, thought that the minimum income on which it is practicable to remain self-supporting, and to maintain a decent standard of living, was \$600 a year, in his city. In 1904 he thought that the amount should be placed at \$700 on account of the rise in cost of articles

<sup>1</sup> *Anthracite Coal Communities*, p. 346.

necessary to maintain existence. In 1907, in view of more recent studies, he inclines to raise this figure very much.<sup>2</sup> Here again the minimum standard is explicitly reckoned for the largest and most crowded city in the United States, where rents are highest, food most costly, and the cold climate demands good house shelter, much fuel, and warm woolen clothing.

Generally speaking, the class of persons who need and can receive benefit from any system of collective insurance are, on the one side, not the wealthy, nor, on the other side, the dependents, defectives, and delinquents, but, actually, the vast majority of those who live on small wages or salaries, and who, in a struggle to live decently and educate their children, have difficulty in "making ends meet." In fact, this description covers much more than half the population; that is, in the United States, perhaps now over 40,000,000 persons, bread-winners and members of their families dependent on them for a living. This is an under estimate, but it is a number large enough to present a problem worthy of arousing the attention of scholars and statesmen. It is not worthy of a nation like ours to regard social care as merely a means of keeping the weakest members from abject misery and death by starvation. The aim of social insurance is not only to "keep the wolf from the door," but to keep him so far away that he cannot destroy sleep with his howls. The wage-worker has special claims upon collective consideration because he no longer has any ownership in the materials and instruments of production, nor any voice in management of the process nor control of the conditions under which his body and mind may suffer. It is this fact, and not their absolute misery, which gives the members of the wage-earning group a special right to the consideration of lawmaking bodies. The employers enjoy armed protection of their lives and property, without which they would be at the mercy of the majority of inferior economic position. No class of persons receive relatively so much help from government as the rich. Over against this is the interest of the wage-earners in having their fortunes protected by a power which is over all and which is directed by the representatives of all.

<sup>2</sup> *Principles of Relief*, pp. 34-36; cf. *Charities and Commons*, November 17, 1906.

The extent of the group under consideration cannot be measured with desirable exactness, but for practical purposes the following analysis will aid the judgment. The total population of the United States, according to the Twelfth Census, including Alaska, Hawaii, Indian Territory, Indians on reservations, was 76,303,387 (75,693,734 without counting the persons in districts named), of whom 66,890,199 were whites and 8,803,535 of African descent.<sup>3</sup>

The number of persons at least ten years of age who were engaged in gainful occupations was given in the last census.<sup>4</sup> Only a part of the more significant facts are here reproduced. Of 10,381,765 engaged in agricultural pursuits, 4,410,877 are called agricultural laborers and 5,674,875 farmers, planters, and overseers. Many other laborers are lumbermen, raftsmen, woodchoppers, etc. The negro laborers of the south must be studied apart.

In the group "professional services" we notice that teachers and professors in colleges number 446,133, the majority of whom require some form of insurance, especially for sickness, invalidism, and old age, since they are on low salaries.<sup>5</sup> The "trade and transportation" group includes persons of widely differing incomes, but nearly all need industrial insurance, and it is with this group that the most reliable insurance schemes have already been organized. There were in this class 4,766,964 persons.

In the group devoted to "manufacturing and mechanical pursuits" there were 7,085,992 persons (5,772,788 males and 1,313,204 females). The great majority of these are wage-workers or employees on small salaries, and need industrial insurance in all its forms. The employees are not separated from the employers in this enumeration. It is well known that the tendency is to increase the relative ratio of wage-workers to employers where the great industry prevails. The total number of persons above ten years of age in "gainful occupation" was 29,074,117 (23,754,205 males, 5,319,912 females).

<sup>3</sup> *Statistical Abstract*, 1903, p. 22.

<sup>4</sup> *Ibid.*, pp. 494-97.

<sup>5</sup> National Education Association, *Report of Committee on Salaries, Tenure, and Pensions of Public-School Teachers in the United States*, 1905.

Of family incomes of workingmen in the United States we have a valuable recent study based on investigations of the conditions of life for 25,440 families in various callings and districts. The data were gathered in the principal industrial centers of thirty-three states, including the District of Columbia.<sup>6</sup> The investigation was restricted to families of wage-workers and of persons on salaries not exceeding \$1,200 a year, and persons engaged in business on their own account were not considered. The facts refer chiefly to the year 1901. We may select one of the most general statements of income:

The total family income varied from \$908.68 in Colorado to \$420.03 in South Carolina. In eight states the income was above \$800 per year, in twelve states between \$700 and \$800, in ten states between \$600 and \$700, in two states between \$500 and \$600, and in one state below \$500. The largest average income per family from all sources in any of the geographical divisions was \$883.39, reported for the Western states. In the North Atlantic states it was \$755.49; in the North Central states it was \$751.62; in the South Atlantic states it was \$690.80; and in the South Central states it was \$675.42.

These family incomes were made up from several sources:

Expressed in percentages, these figures would show that 79.49 per cent. of the average income of all families came from the earnings of husbands, 1.47 per cent. from the earnings of wives, 9.49 per cent. from the earnings of children, 7.78 per cent. from boarders and lodgers, and 1.77 per cent. from other sources.<sup>7</sup>

The difficulty of representing the actual condition of many families through these general statements has been felt by all students. Professor Mayo-Smith, on the basis of earlier data, ventured the statement, with very strong qualifications as to the value of the estimates, that the average annual earnings for all employees, in 1890, excluding officers, firm members, and clerks, was \$444.83.

This figure is, perhaps, the nearest approach we have to an average wage for the United States. It is not, however, a typical wage, for the reason that it includes the wages of men, women, and children, of apprentices and piece-workers.

<sup>6</sup> *Eighteenth Annual Report of the Commissioner of Labor, 1903*: "Cost of Living and Retail Prices of Food."

<sup>7</sup> *Ibid.*, p. 58.

He thought that it would be approximately correct to say that the wages of operatives were: "for males above sixteen years, \$498; for females above fifteen years, \$276; for children. \$191."<sup>8</sup>

If we take the large and interesting group of anthracite miners by themselves, we find that the average number in each family is between five and six persons, and the earnings of contract miners, who form only 25 per cent., of all the persons employed in the mines, is about \$600 a year; while other workers, 60 per cent. of all, receive \$450 a year.<sup>9</sup>

The conditions can be set before the mind from another point of view by considering the expenditures of workingmen's families. The total expenditures for all purposes per family, in the United States in 1900, as indicated by the study of 20,615 families, was \$699.24. It varied in individual states from \$786.64 in the District of Columbia to \$365.15 in South Carolina. The average expenditure in the North Atlantic states was \$704.16; in the South Atlantic states, \$650.18; and in the South Central states, \$640.44. The expenditure constituted 93.21 per cent. of the income in the North Atlantic states; 94.12 per cent. in the South Atlantic states; 94.31 per cent. in the North Central states; 94.82 per cent. in the South Central states; 84.27 per cent. in the Western states; and 93.29 per cent. in all states. The average income for the year of 25,440 families exceeded their average expenditures by \$50.26, or, including payments made during the year on the principal of mortgages on homes, \$7 more on the average.<sup>10</sup>

In the same *Report* is shown the surplus and deficit of family incomes (p. 61).

A surplus at the end of the year was reported by 12,816 families, or about one-half of the whole number of families. The average surplus for these families was \$120.84. A deficit was reported for 4,117 families, the average deficit for these families being \$65.58. Of the total there remained 8,507 families, and these reported that they came out even at the end of the year.

<sup>8</sup> Mayo-Smith, *Statistics and Economics*, p. 298-302, citing U. S. Census of 1890, *Manufactures*, Part I, p. 20.

<sup>9</sup> P. Roberts, *Anthracite Coal Communities*, p. 346.

<sup>10</sup> *Eighteenth Annual Report of the Commissioner of Labor*, pp. 60, 61. Facts for negroes are included in tables and not shown separately, p. 15.

Assets and liabilities are not shown. The figures given indicate the narrow margin between income and subsistence. A few weeks of sickness or incapacity through accidents, and the meager reserve is consumed, and the family faces want and dependence on charity; for the little savings and feeble credit on honor or pawn will not go far. The statistics of charity give a picture, though as yet very imperfect, of the number of families who each year cross this line and eat the bitter bread of public or private relief; but no statistics which can ever be gathered can visualize the conditions of constant dread of suffering and pauperism which are the hourly torment of thoughtful workingmen.<sup>11</sup>

If we turn to the question of savings, we encounter serious complications; for the deposits in savings banks are composed of the savings of persons of all classes. In the *Report* just cited it is said that of 2,567 families studied, 1,480 families had a surplus at the end of the year, and disposed of it as follows: kept it on hand, 491 families; placed it in bank, 682 families; invested in building associations, 63; in real estate, 42; in shares of stock, 5; loaned money, 3; paid debts, 60; other methods, 1; not reported, 133 families.<sup>12</sup>

The *Statistical Abstract for 1903* (p. 72) stated that in the United States, in 1902-3, there were 7,035,228 depositors in the savings banks; the amount of their deposits was \$2,935,204,845; the average to the credit of each depositor, \$417.21. But this gives little direct light on our subject, because the social and financial classification of depositors is not given.

It would be interesting to know how far the savings of workingmen are invested in some form of insurance; and here we have considerable information, but not much that is encouraging. Of 2,567 families reported to the commissioner of labor, 806 held insurance on property and 1,689 on life; 944 paid dues to labor organizations, and 1,123 to other kinds of organizations, including a certain sum for insurance.<sup>13</sup> On the surface the showing is very impressive. There were in the year 1902 in the United

<sup>11</sup> Adams and Sumner, *Labor Problems*, pp. 142 ff., 526.

<sup>12</sup> *Op. cit.*, p. 512.

<sup>13</sup> *Ibid.*, pp. 421-69, 501.



States 4,160,088 policies of the ordinary form, with annual payments of premium, or at least infrequent payments, in force. The face value of these policies was \$8,701,587,912.

The total income of all companies was \$504,527,705, and payments to policy-holders \$199,883,721; the assets, \$2,091,822,851; the surplus, \$293,685,990; the number of policies of all kinds, 17,608,212; and their value, \$10,508,478,776.

If we turn to the "industrial" companies, we have to deal with insurance which really touches vitally the working people on small incomes, and in these companies we find 13,448,124 policies, with a face value of \$1,806,890,864. The average amount of each policy is small—about \$135.<sup>14</sup> This analysis will be carried further in the discussion of private insurance.

Another point of view may be taken for the consideration of the need of insurance of workingmen in this country. Have they accumulations of wealth which will furnish them credit in case of incapacity for daily labor? Here again the averages of wealth per inhabitant, including billionaires and day laborers, are absolutely deceptive. Though often cited by political partisans to prove the extraordinary prosperity of wage-earners, they have no value for any such purpose. And when we come to classify the population by income we confront serious, perhaps insuperable, difficulties. C. D. Wright says: "American statistics do not warrant any very careful classification of the distribution of wealth."<sup>15</sup> He quotes Mulhall's estimate for England:

With a population in 1891 of 38,857,000 he finds that the rich numbered 327,000, with an average of about \$136,000 per head; that the middle class numbered 2,380,000, with nearly \$4,500 per head; that the working class numbered 18,210,000, with about \$150 per head; and the children 17,940,000, without any estimates as to their holdings. In all probability the distinctions here approximate those for the United Kingdom.

2. There is a marked tendency in all modern countries to form a group of families dependent on wages or small salaries for their living. These are in a certain degree dependent on

<sup>14</sup> *Statistical Abstract*, 1903, p. 421, prepared by Frederick L. Hoffman, insurance statistician of the Prudential Company.

<sup>15</sup> *Practical Sociology*, p. 312.

managers of capital even for the opportunity of labor and for the determination of the conditions of life. In no country is the growth of the great industry more marked than in the United States. It is true that the agricultural occupations have not yet come into this current, and that very many moderate industries are fairly prosperous and have a prospect for the future. But these eddies must not divert our attention from the main direction of industrial development. The enlargement and concentration of the class of wage-earners are facts of vital importance in relation to the need of social insurance. The manager of business finds in the business itself means of investment and a provision for periods of incapacity for active labor—a store which he can personally control. The well-paid professional man can support himself in periods of leisure, in sickness and old age, out of financial reserves invested in productive funds. The farmer can rely upon a mortgage or sale of lands or cattle for credit or income while he is laid aside from personal industry. But the wage-worker generally lives in cities where all he consumes must be paid for in money; the wages of most members of this class furnish scant margin of surplus for investment; the accumulation of a fund which will provide income in emergencies is a long and painful process; and thus the only reliable method of providing surely and at the beginning of need for emergencies is insurance. Investments in the securities offered by industrial and commercial companies, even if there are savings, seem to the person unacquainted with this world of speculators as little better than gambling. Secure bonds render slight returns. The tendency toward the enlargement of a class of persons dependent on wages is indicated in this citation from Mayo-Smith:

While population from 1880 to 1890 increased 24.6 per cent., the number of persons ten years of age and over engaged in gainful occupations increased 30.7 per cent. The increase in agriculture, fisheries, and mining was, however, only 12.6 per cent., and in domestic and personal services, 24.5 per cent. On the other hand, the number of persons engaged in professional services increased 56.6 per cent.; in manufacturing and mechanical industries, 49.1 per cent.; and in trade and transportation, 78.2 per cent.<sup>10</sup>

<sup>10</sup> Mayo-Smith, *Statistics and Economics*, p. 70.

This means that most of the workers are absolutely without hope of escaping from a position in which they depend on capitalists for employment, and that their permanent interests are with their own group. The same writer presents further illustrations in the words:

In the manufacture of agricultural implements the number of establishments decreased 1,033 or 53 per cent., while the number of employees increased 2,964 or 7.5 per cent., and the value of the products twelve million dollars or 18.4 per cent.<sup>17</sup>

In the manufacture of boots and shoes, gristmills, paper factories, cotton-mills, the same tendency is observed. But the fact is too familiar and obvious to require further mention.

3. The necessity for providing industrial insurance has become acute. If the nation only knew the facts, there would be radical legislation within a short time. But, as a matter of fact, men of the business world, forced by the absurd employers' liability laws, have followed a policy of concealment as by a universal instinct. Of occupational accidents we gain suggestive glimpses, but of the causes of disease and premature age and death in industries we have in this country little information either from governments or from insurance companies. The insurance companies are apparently afraid to join in a comparative study of their own experience, for fear their competitors will use the information. And so we are compelled to put together mere fragments of knowledge, and hope that the general and state governments will pursue the study, and thus awaken general interest and direct action. Only in the reports of the Interstate Commerce Commission have we fairly satisfactory reports of accidents to passengers, workmen, and others. The laws of eleven states require reports of accidents in factories, but only one state is attempting to secure reports of accidents in all industries. The state of Wisconsin passed a law in 1905 which makes it the duty of physicians to report all accidents which result in the serious injury of workmen and cause incapacity for work during a period of more than two weeks. The final results of these reports are not yet known, but it has been estimated that the accidents

<sup>17</sup> *Ibid.*, p. 173.

in that state number from 15,000 to 20,000 annually. One of the most important casualty companies has given out certain figures which it has made in connection with insuring employers from loss occasioned by damage suits of injured workmen. During the years 1889-1903 this company issued policies to employers who paid out \$1,905,515,398 in wages to about 3,811,030 workmen, and in this number there occurred 185,088 accidents. After bringing together all the evidence he could collect, Dr. Josiah Strong estimates the number of killed and wounded in the army of labor at over 550,000 annually. This does not include the sickness and consequent death caused by occupations.

This is 50 per cent. more than all the killed and wounded in the late war between Japan and Russia. There are more casualties on our railways in a single year than there were on both sides of the Boer war in three years. . . . There were twenty-four times as many casualties on our railways in one year as our army suffered in the Philippine war in three years and three months. . . . Taking the lowest of our three estimates of industrial accidents, the total number of casualties suffered by our industrial army in one year is equal to the average annual casualties of our Civil War, plus those of the Philippine war, plus those of the Russian and Japanese war.<sup>18</sup>

The hazard varies, of course, in different occupations. In an investigation made in New York for 1899 and covering selected industries it was found that the number in 1,000 injured was in trades connected with stone and clay products, 15.18; metals, machinery, and apparatus, 26.57; wood, 18.42; leather, rubber, pearl, etc., 3.21; chemicals, oils, and explosives, 44.06; pulp, paper, and cardboard, 41.46; printing and allied trades, 9.19; textiles, 8.91; clothing, millinery, laundering, etc., 1.35; food, tobacco, and liquors, 13.51; public utilities, 37.28; building industry, 26.20. Mr. F. L. Hoffman estimates the average number of miners killed in the United States and Canada at 2.64 per 1,000. The number of men killed per 100,000 of population in the registration states during the year ending May 31, 1900, was: in the professions, 61.1; mercantile and trading, 46.0; laboring and servant, 220.2; manufacture and mechanical industry, 88.4; agriculture, transportation, and other outdoor, 139.6.<sup>19</sup>

<sup>18</sup> *North American Review*, November, 1906, p. 1030 ff.; *Social Service*, August, 1906.

<sup>19</sup> Bailey, *Modern Social Conditions*, pp. 247-97, 253.

It is probably generally supposed that agricultural industry is comparatively free from accidents; but this does not seem to be true. The figures we have for America agree with those which have been collected in Europe. The number of deaths of men (between fifteen and forty-four years of age), according to the Twelfth Census, was in cities 122.4 per 100,000 population, and in the rural population 122.1.

The mortality from accidents in specified occupations, according to English experience, 1890-92, is shown by Mr. F. L. Hoffman in this table (rate per 1,000 at each age).<sup>20</sup>

Ages	Profes- sional	Agricul- tural	General Trades and In- dustries	Unhealth- ful Trades	Danger- ous Trades	Unhealth- ful and Dang'rous Trades	Common Labor
15-19 .....	0.1	0.3	0.3	0.3	1.4	1.6	0.4
20-24 .....	0.2	0.3	0.3	0.3	1.6	1.6	0.6
25-34 .....	0.2	0.5	0.4	0.4	1.6	1.8	0.8
35-44 .....	0.3	0.5	0.5	0.6	1.9	2.1	1.1
45-54 .....	0.3	0.6	0.8	0.8	2.3	2.8	1.5
55-64 .....	0.6	1.0	1.1	1.1	3.0	3.2	2.0
65 and over.....	1.0	1.6	1.9	2.2	3.9	4.1	3.4

4. Influence of individualistic optimism on the progress of social policies in the United States. Confidence in the ability of each man to care for himself has grown out of the facts of those early economic conditions when the hunter defended himself Indian fashion against Indians, and earned his livelihood on his own farm. In one generation a nation has passed through all stages of industrial development, from hunting and household production for household use to leadership in collective production by huge combinations for a world-market. Sentiments, in the form of prejudices, survive the situation which produced them, men carry the ideas of the isolated farm into the congregate life of cities where they are out of place, and fathers teach to sons the philosophy of *Poor Richard's Almanac* in an environment where it requires enlargement to explain and fit the facts. Until very recently it was the common belief, for which there was much evidence, that any industrious, sober, and thrifty wage-worker could become an independent manager of business; and this cheerful faith endures millions of disappointments.

<sup>20</sup> *Annals of American Academy*, May, 1906, p. 28.

Leadership is still largely in the hands of vigorous men who climbed to places of power under the spur of this faith in individual effort, and who, spite of the revolution in methods of conducting affairs, preach the same doctrine to thousands of wage-workers whom they control as with a rod of iron. The unconscious assumption of our captains of industry is that intervention of government is necessarily evil—unless they happen to be in a council asking a franchise, or in a lobby asking for a protective tariff for some infant industry. The managing class, mindful of the success of their splendid confidence in their own power to master difficulties, sincerely believe that wage-workers have no need of social care. They have been encouraged in this creed by the economic and political instruction which had its root in the revolutionary effort to cast off mediaeval restrictions. According to this theory, the state has but one task—that of preserving order and property, while competition is left to work out all the advantages which they expect from it. “The best government is that which governs least,” has been a popular proverb.

It is true that the logic is forgotten when a railroad company asks from government half the land along its right-of-way, and a large cash bonus to reward its enterprise and make dividends secure; or when a city council has special privileges to barter. The same leaders return to the inherited theory when rates are to be regulated, workmen are to be protected, or lives of citizens to be safeguarded. The stinging epithets of “socialist” or “paternalist” is apt to be flung at anyone who suggests that the nation which demands of its workmen both taxes for support and in war lives for its defense ought to act in return so that its wise paternalism shall evoke patriotism.<sup>21</sup> When one seeks to gather from the experience of older countries lessons to guide our own action as we move onward rapidly to the economic condition of ancient states, we are told that we of a free republic cannot copy the methods of “absolutism,” cannot submit to the “tyranny” of a country like Germany. Progress is often halted for a time by such catchwords which betray provincialism of thought.

Distrust of governmental interference is fostered by defects

<sup>21</sup> What is patriotism but love for “fatherland”?

in our political organization and conduct familiar to all, and these are largely due to the fact that the hope of prizes in the world of management has drained off much of the best talent to business and away from direct public service of the community. It is not too much to say that the average successful business man has an ill-concealed contempt both for the ability and for the integrity of men who direct politics. There has been so much inefficiency and corruption under the spoils system that only too much reason exists for this widespread distrust of competent men for those in charge of municipal and national administration. Some of the leaders of business have only too intimate knowledge of the ways in which representatives of the people can be purchased to have respect for politicians as a class, for they have themselves made the deals. This distrust has been deeper and wider than was deserved; for, in fact, the administration of many public works has been, on the whole, successful and a part of the national glory. Where the public administration has failed it might have succeeded better if business men had not been so absorbed in making themselves rich.

5. The absence of a national legislative power and of either national or state administrative organs adapted to insurance has tended to retard progress in the social protection of workingmen. Congress is limited by the Constitution to interstate commerce as a field of legislation and control. Many of the industries can be touched only by state laws. In the states until recently a central administrative organization has been almost entirely wanting. In Germany there has long been a central administration with great power, and in France the nation is accustomed to give to the regulations of administrative councils all the force of law. The development of the Home Office in Great Britain enables the legislator there to enforce laws which here would require the creation of new agencies or the very great increase of functions of existing organs. The independence of each state is an obstacle in the way of passing laws which involve expense in the management of business, since the manufacturers and traders of each state are in competition with those of all other states. These are some of the difficulties which must be overcome in the

process of securing for workingmen the protection and insurance which have come to be regarded as just in all other advanced nations. A bill brought before the Legislature of Massachusetts in 1904 to introduce the British Compensation Act of 1897 was defeated by the claim of the manufacturers that the indemnities required of them would cripple them in competing with manufacturers of other states. The same argument could be used in all other states, and we should have a deadlock, if the argument were sound.

6. In order to escape from this whirlpool in which our political system seems to hold us, it must be shown that the social policy of protection, education, and insurance, so far from being a financial burden on the manufacturers of a state, is a paying investment; that the best investment of a business community is not in machines of steel and wood, but in its productive human agents; and that the state which first commits itself honestly to this policy and works it out wisely will take and keep the lead in business, by attracting and holding an army of healthy, sober, conservative, relatively contented and faithful workmen. This is no place to do more than suggest the outline of an argument in favor of this proposition. It rests on the fact that the condition of bodily vigor, of comparative contentment and serenity of mind, of freedom from irritating and depressing despair in prospect of incapacity to earn a living temporarily or permanently, is an asset of first importance in the process of continuous manufacture. The workman who has suitable conditions of human existence is for that industrially more efficient, is a better customer with larger and more steady purchasing power, loses less time by drunkenness and vice, has more varied wants, and demands more kinds, finer grades, and larger quantities of commodities. The state whose industries take best care of its men will swiftly and surely attract and hold the best workmen. It is the fashion in some quarters to undervalue this argument, and to ascribe all virtue to improved machinery and shop organization and modes of paying wages; but, after all, the experience of a century is worth more than the passing passion of a man sore after a strike, and common-sense will surely come to the help



of morality and decide that, on the whole, human workers, with sound bodies and varied wants, are at once our first factor in large production and our largest market for goods made. A million such civilized customers are better than several millions of naked savages or all the spendthrifts in the world.

It is a pleasure to quote the testimony of a man in the highest position in finance, that workingmen's insurance "has become one of the leading factors in helping Germany to the industrial pre-eminence which she is gaining."<sup>22</sup> In speaking of the sickness insurance of Germany he says:

The testimony in regard to the value of the work done in the sick insurance system is almost universally favorable. It would be hard to calculate its economic importance, but it is so great that it has become one of the leading factors in helping Germany to the industrial pre-eminence which she is gaining.

7. The attitude of the trade-unions to obligatory insurance, the only kind which can ever afford help to all and especially to those who most require it, is still in doubt. The national assembly of the American Federation has voted down a resolution favoring such insurance in the form presented to it. But the probability is that under its more recent forms, when once clearly explained to the members and properly presented, it will soon win their favor. Obligatory workingmen's insurance has been in the past in this country connected with attempts to compel the workmen to pay an excessive share of the premiums, to break the power of the union and alienate its members, and to retain the equitable share of the funds to which the men have contributed if they leave the service or are discharged. In conventions the propositions for collective insurance have been championed by the socialist faction and have gone down in the defeat of this party. Insurance in the European sense has never yet been offered to our workmen in any state. When it is shown that obligatory insurance does not mean absolute control of employers, but union of effort in which both sides are fairly represented in local management; that the interest in collective bargaining remains untouched; that voluntary organizations are recognized and made

<sup>22</sup> Mr. F. A. Vanderlip, in *North American Review*, December, 1905, p. 925.

secure by suitable state supervision and control; and that taxpayers, so far from being asked to increase burdens, will be substantially relieved from many charity demands, it seems likely that indifference and antagonism will change to approval. Mr. John Mitchell has expressed a favorable opinion which already has won the attention and the approval of many trade-unionists.<sup>23</sup>

8: America has no system of industrial insurance, but a beginning has been made from various starting-points—local societies, trades-unions, fraternal societies, employers' initiative, private corporations, casualty companies, and municipalities. The nation throughout its history, from Plymouth pilgrims down to our own day, has developed the most extensive pension system known to the civilized world. Out of these fragmentary, contradictory, inadequate, unsystematic experiments the nation has yet to develop a consistent and worthy social policy. It is our purpose to describe these various schemes,<sup>24</sup> and to inquire what measures promise immediate improvement and tend in the right direction. Signs are not wanting that many of the most competent leaders of industry and commerce will in the near future give much more attention to this problem than they have hitherto done.

<sup>23</sup> *Report of Industrial Commission*, Vol. XII, p. 50.

<sup>24</sup> The Department of Labor is now engaged on a thorough investigation of the whole subject, and a report is expected at the end of the year 1907.